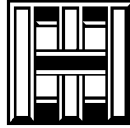




OPEN EC TECHNOLOGIES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009



MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Open EC Technologies, Inc.

We have audited the consolidated balance sheets of Open EC Technologies, Inc. (the "Company") as at June 30, 2010 and 2009 and the consolidated statements of operations and deficit, comprehensive loss, accumulated other comprehensive income and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

September 27, 2010

**OPEN EC TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2010 AND 2009**

	2010	2009
ASSETS		
Current		
Cash	\$ 364,037	\$ 743,450
Short-term investments	101,705	–
Accounts receivable	88,362	92,857
Other receivable [note 12d]	–	150,000
Prepaid expenses and deposits	16,165	8,269
Total Current Assets	570,269	994,576
Equipment [note 6]	14,751	17,711
Intangible assets [note 7]	354,278	432,432
Total Assets	\$ 939,298	\$ 1,444,719
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 131,418	\$ 213,212
Due to related parties [note 12c]	4,200	18,000
Deferred revenue	128,632	161,509
Total Liabilities	264,250	392,721
Shareholders' Equity		
Common stock [note 8b]	17,703,436	17,424,586
Contributed surplus [note 8b]	5,729,341	5,511,184
Deficit	(22,757,729)	(21,883,772)
Total Shareholders' Equity	675,048	1,051,998
Total Liabilities and Shareholders' Equity	\$ 939,298	\$ 1,444,719

Nature and continuance of operations [note 1]

Commitments [note 11]

Subsequent event [note 14]

Approved on behalf of the Board:

/s/ "Martyn A. Armstrong"
Martyn A. Armstrong, Director

/s/ "Roy Trivett"
Roy Trivett, Director

OPEN EC TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
REVENUE		
Maintenance fees	\$ 254,673	\$ 254,065
Consulting services	242,404	247,031
Software development services	175,317	379,244
Software sales	59,694	92,599
Training services	5,095	6,066
	<u>737,183</u>	<u>979,005</u>
COST OF REVENUE		
	397,753	400,992
Gross profit	339,430	578,013
EXPENSES		
General and administrative	494,422	461,117
Salaries and wages	360,405	220,827
Stock-based compensation [note 8c]	224,958	2,872
Amortization of intangible assets	92,736	87,092
Bad debts	11,834	5,100
Amortization of equipment	5,642	5,862
	<u>1,189,997</u>	<u>782,870</u>
Income (loss) before other items	<u>(850,567)</u>	<u>(204,857)</u>
OTHER ITEMS		
Interest income	3,074	189
Foreign exchange gain (loss)	(26,464)	17,980
	<u>(23,390)</u>	<u>18,169</u>
Income (loss) from continuing operations	<u>(873,957)</u>	<u>(186,688)</u>
Income (loss) from discontinued operations [note 5]	<u>–</u>	<u>(1,768,270)</u>
Net income (loss) for the year	<u>(873,957)</u>	<u>(1,954,958)</u>
Deficit, opening	(21,883,772)	(19,928,814)
Deficit, closing	<u>\$(22,757,729)</u>	<u>\$(21,883,772)</u>
Basic and diluted loss per share from continuing operations	\$ (0.02)	\$ –
Basic and diluted loss per share	\$ (0.02)	\$ (0.04)
Weighted average of shares outstanding, basic and diluted	<u>45,993,568</u>	<u>53,718,768</u>

The accompanying notes are an integral part of these consolidated financial statements

OPEN EC TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
AND ACCUMULATED OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Net income (loss)	\$ (873,957)	\$ (1,954,958)
Other comprehensive income, net of tax:		
Unrealized foreign exchange gain on translation of self-sustaining foreign operations	–	218,156
Realized accumulated foreign exchange translation on disposal of self-sustaining foreign operations	–	(286,183)
Comprehensive income (loss)	\$ (873,957)	\$ (2,022,985)

	2010	2009
Accumulated other comprehensive income, opening	\$ –	\$ 68,027
Unrealized foreign exchange gain on translation of self-sustaining foreign operations	–	218,156
Realized accumulated foreign exchange translation on disposal of self-sustaining foreign operations	–	(286,183)
Accumulated other comprehensive income, closing	\$ –	\$ –

The accompanying notes are an integral part of these consolidated financial statements

OPEN EC TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING ACTIVITIES		
Net income (loss) from continuing operations	\$ (873,957)	\$ (186,688)
Items not affecting cash:		
Amortization of intangible assets	92,736	87,092
Amortization of equipment	5,642	5,862
Stock-based compensation expense	224,958	2,872
	<u>(550,621)</u>	<u>(90,862)</u>
Changes in non-cash items:		
Accounts receivable	5,815	85,401
Prepaid expenses and deposits	(7,897)	(8,268)
Accounts payable and accrued liabilities	(83,115)	(107,933)
Due to related parties	(13,800)	–
Deferred revenue	(32,877)	27,156
	<u>(682,495)</u>	<u>(94,506)</u>
INVESTING ACTIVITIES		
Software acquisition costs	(14,581)	(4,227)
Proceeds from disposal of Chinese operations	150,000	700,000
Cash surrendered on disposal of Chinese operations	–	(952,181)
Purchase of equipment	(2,682)	(3,257)
Purchase of short-term investment	(101,705)	–
	<u>31,032</u>	<u>(259,665)</u>
FINANCING ACTIVITIES		
Issuance of common shares for cash - net of issuance costs	272,050	9,125
	<u>272,050</u>	<u>9,125</u>
Cash flows from continuing operations		
	(379,413)	(345,046)
Cash flows from discontinued operations [note 5]	–	773,469
Increase (decrease) in cash	(379,413)	428,423
Cash, beginning of year	743,450	315,027
	<u>\$ 364,037</u>	<u>\$ 743,450</u>
Supplemental cash flow information		
Interest paid	\$ –	\$ –
Income taxes paid	–	–
Non-cash financing and investing activities		
Shares redeemed for disposal of Chinese operations [note 5]	\$ –	\$ 342,000

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Nature of operations

Open EC Technologies, Inc., (the “Company”) was formed on March 30, 1981 and is incorporated under the British Columbia Business Corporations Act.

The Company and its subsidiaries operate software businesses in the areas of e-business. Its wholly owned Canadian subsidiary develops and markets Electronic Data Interchange (“EDI”) software primarily to retailers, financial and public institutions, utility companies, pharmaceutical companies and wholesalers across North America and Asia. It also develops and markets e-commerce software, provides software through internet portals and licenses, and provides consulting and support services to both domestic and international markets.

On July 1, 2007, the Company acquired a 60% interest in a Peoples Republic of China (“China” or “Chinese”) company which provided software development services in the areas of mobile commerce, micro payment software solutions and mobile operator portal software mainly to the telecommunication industry in China and other Southeast Asian countries. Effective January 1, 2009, the Company sold all the business assets, including operations of this Chinese subsidiary.

After the sale of the Chinese business operations, the Company has been focusing on the North American e-business software market including the US HealthCare Information Technology sector.

Basis of presentation

The Company had a loss of \$873,957 for the year ended June 30, 2010 [2009 : \$1,954,958]. At June 30, 2010, the Company had an accumulated deficit of \$22,757,729 [2009 : \$21,883,772]. In prior years, the Company raised financing to support its activities primarily through the issuance of shares.

The Company’s ability to continue as a going concern is uncertain and is dependent upon its ability to continue to develop its business model, achievement of profitable operations, the continued financial support of its shareholders, creditors, related parties and option holders, and upon its ability to obtain additional financing as required.

The Company’s ability to achieve profitability and positive cash flows from operations will depend upon numerous factors. These factors include its ability to attract strategic corporate partners for the development, marketing, distribution, and sale of its software products, the progress of its research and development programs and its ability to protect its proprietary rights over product names and trademarks. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, and are expressed in Canadian dollars and include the accounts of the Company and its wholly-owned subsidiaries, SoftCare EC Solutions Inc., a Canadian company (“SoftCare”); Fine High Group Limited, a BVI company (“Fine High”), Shenzhen Headware Software Ltd., a Chinese company (“Headware”), SCC Holdings Ltd., a Canadian company (“SCC”), SCEC Holdings Ltd., a Canadian company (“SCEC Holdings”), and SoftCare Electronic Commerce (U.S.A.) Inc., a U.S. company (“SCEC”), and the 60% subsidiary Shenzhen Jinhuaeye Software System Ltd., a Chinese company (“Jinhuaeye”). Effective January 1, 2009 the Company disposed of its business operations in Headware and its 60% interest in Jinhuaeye and the assets and operations of these subsidiaries are only included in these financial statements to the disposal date [note 5]. All significant intercompany balances and transactions have been eliminated on consolidation.

b) Foreign currency translation

The Chinese subsidiaries were considered self-sustaining operations, as they were financially and operationally independent of the parent. Accordingly, these operations were translated from Chinese Reminbi (“RMB”) into Canadian dollars (“CAD”) using the current rate method. Under this method, assets and liabilities were translated at period-end exchange rates and items included in the statements of operations and deficit, statements of comprehensive loss, and cash flows were translated at the rates in effect at the time of the transaction. Foreign exchange gains or losses resulting from these translations were considered other comprehensive income or loss and their cumulative effect was previously presented on the balance sheet as accumulated other comprehensive income in shareholders' equity. Upon disposal of the Chinese operations, the accumulated other comprehensive income related to this foreign exchange effect was reversed.

Other foreign subsidiaries including the Chinese subsidiary after the disposal of the Chinese operations are considered integrated operations, as they are financially dependent on the parent company, and are translated into CAD using the temporal method. Under this method, monetary assets and liabilities are translated at period-end exchange rates and items included on the statements of operations and cash flows are translated at rates in effect at the time of the transaction. Non-monetary assets and liabilities are translated at historical rates. Foreign exchange gains and losses resulting from these translations are reflected in the statements of operations.

c) Cash and cash equivalents

The Company considers all highly liquid financial instruments with an original maturity of 90 days or less to be cash equivalents. Cash subject to restriction is not considered to be cash equivalents and is presented separately.

d) Short-term investments

Short-term investments consist of highly liquid short-term interest bearing securities with a term to maturity of greater than three months on the date of purchase. Short-term investments are classified as held-for-trading and are recorded at their fair values using quoted market prices at the balance sheet date. Unrealized gains or losses on held-for-trading investments are recognized in the statement of operations.

e) Economic dependence

For 2009 to the date of disposal of the Chinese operations, the Company derived its China revenues from contracts with two primary customers in China and its China operations were considered to be economically dependent on those two customers for ongoing work contracts to generate that revenue.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Revenue recognition

Revenues in Canada

The Company's revenues in Canada are derived from software sales and licenses and other supporting fees, such as consulting, training and installation. The Company also provides maintenance and other recurring services, including customer support and software updates which are renewable at the option of the customer.

The Company follows the accounting recommendations of Emerging Issues Committee ("EIC") EIC-141 "Revenue Recognition", and EIC-142 "Revenue Arrangements with Multiple Deliverables". EIC-141 summarizes the principles set as interpretive guidance on the application of CICA Handbook section 3400, "Revenue". Specifically this EIC presents the criteria to be met for revenue recognition to be considered achieved. EIC-142 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue generating activities for a given customer.

The Company records revenue when persuasive evidence of a contract or other arrangement exists, there are no significant uncertainties surrounding product acceptance, the fees are fixed or determinable and collection is considered reasonably assured.

The Company's application of EIC 142 requires judgment, including whether a software arrangement includes multiple elements, and if so, whether vendor-specific objective evidence ("VSOE") of fair value exists for those elements. The Company's VSOE is based on the associated price when the elements are sold separately. Some customers receive certain elements of the Company's products over a period of time. Changes to the elements in a software arrangement, the ability to identify VSOE for those elements and the fair value of the respective elements could materially affect the amount of earned and unearned revenue.

The Company recognizes revenues from the development and sale of its software and licenses as work related to the development is completed or when legal title transfers if development work is insignificant, which is generally when the product is shipped or, in the case of certain agreements, when the products are delivered to certain customers. The Company sells some of its products on consignment to resellers and recognizes revenue for these consignment transactions only when the end-user sale has occurred.

The Company sells license and maintenance contracts that include the right to customer support and unspecified updates of software licenses on a when-and-if-available basis. Sales of updates and maintenance contracts are considered post-contract support, and the fees are deferred and recognized as revenue prorated over the term of the maintenance arrangement, which is generally 12 months. The recognition of any deferred revenue is not contingent upon any specific delivery of product since updates are only provided when-and-if-available.

For software arrangements where the Company is obligated to perform professional services, such as installation, training and consulting, the Company does not consider delivery to have occurred until no significant obligations remain. Generally, this would occur when substantially all service work has been completed in accordance with the terms and conditions of the agreement with the customer.

When the Company's software and related license are sold with other services, the Company allocates the total fee to each element of the contract, based on the relative fair values of the elements specific to the Company.

At the time of executing customer contracts, the Company assesses whether the fee associated with the revenue transactions is fixed or determinable, based on the payment terms associated with the transaction and considers the fee to be fixed or determinable if it is due with the Company's normal payment terms, which are generally 30 to 90 days from invoice date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Revenue recognition (continued)

Revenues in China

The Company derived revenues in China up to the point at which its Chinese operations were sold in 2009, from performing software development primarily for two major telecommunication companies in China. Most of this revenue came from these customers with specific scope and design requirements. The Company was able to charge the customers based on fixed-price contracts. The performance of software development services under these contracts was regarded as having been achieved as work progresses as long as there was reasonable assurance regarding the measurement of the consideration that was derived from performing the service. Percentage of completion method best reflects the nature of the contracts in China.

Accordingly, the Company used the percentage of completion method when performance consisted of the execution of more than one act, and revenue was recognized proportionately by reference to the performance of each act. Revenue recognized under this method was determined on a systematic and consistent basis using associated costs, extent of progress, or number of acts. For practical purposes, when services were provided by an indeterminate number of acts over a specific period of time, revenue was recognized on a straight line basis as costs, progress, or acts were incurred.

The Company assessed collectibility based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. If it was determined that collection of the fee was not reasonably assured, management deferred the fee and recognized revenue at the time collection became reasonably assured, which was generally upon receipt of payment.

g) Business acquisition costs and software acquisition costs

Software acquired as a component of revenue producing assets is recorded at cost and amortized over the expected useful life of the software.

Costs related to an acquisition of an entity or operation such as costs of due diligence, legal opinions, finder's fees and other costs in direct connection with the acquisition are recorded on the balance sheet until the acquisition is closed or cancelled. If the acquisition is closed, these costs are allocated to the fair value of identifiable assets acquired and liabilities assumed. If the negotiations indicate the transaction will most likely not close, the Company expenses these costs at that time that determination is made.

h) Long-lived assets

The Company monitors the recoverability of long-lived assets, at least annually or whenever changes in events or circumstances indicate that the carrying amount may not be recoverable, based upon estimates using factors such as future asset utilization, business climate and future un-discounted cash flows expected to result from the use of the related assets or to be realized on sale. An impairment loss is recognized when the carrying amount of an asset exceeds the projected undiscounted net future cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value, which is measured based on discounted cash flows when quoted market prices are not available. For assets held for sale, an impairment loss is recognized when the carrying amount exceeds the fair value less costs to sell. The Company's long-lived assets consist of property and equipment and intangible assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Equipment

Equipment are stated at cost less accumulated amortization and are amortized using the declining balance method at annual rates which approximate the useful lives of the assets:

Alarm system and equipment	20%
Computer and testing equipment	30%
Computer software	100%
Office furniture and equipment	20%

j) Goodwill and intangible assets

The Company accounts for goodwill and other intangible assets under CICA Handbook Section 3064, "Goodwill and Intangible Assets". Under Section 3064, goodwill is not amortized but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of a reporting unit's goodwill exceeds the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate item in the statements of operations.

Intangible assets acquired in business combinations and intangible assets acquired individually or with a group of other assets, which have indefinite lives, are not amortized, and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset with its fair value, and an impairment loss is recognized in income for the excess, if any. Intangible assets with definite useful lives are amortized on a straight-line basis over their estimated useful lives of 7 years.

k) Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on temporary differences between the financial reporting and income tax bases of assets and liabilities, measured using the enacted or substantially enacted tax rates that will be in effect when the temporary differences are expected to reverse. If it is more likely than not that some portion or all of a future income tax asset will not be realized, a valuation allowance is recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Stock-based compensation

The Company recognizes stock-based compensation for the estimated fair value of equity-based instruments granted to both employees and non-employees. Compensation costs on stock options granted to employees, and directors are measured at estimated fair value at the grant date, and expensed over the expected vesting periods of the options with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. Options or other equity based instruments issued to consultants and non-employees in exchange for goods or services are accounted for based on the fair value of the option or other equity instrument issued, whichever is more reliably measurable.

The fair value of stock options is determined based on the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and the expected life of the options.

m) Software development costs

Software development costs are charged to expense as incurred unless the development project meets the criteria under Canadian generally accepted accounting principles for deferral and amortization.

n) Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements. Areas of significant estimate include the determination of provision for doubtful accounts, timing and amount of revenue recognition, the extent and timing for recognition of future income tax assets and liabilities, recoverability of goodwill and intangible assets, useful lives for the amortization of property and equipment and intangible assets, and stock-based compensation. Actual results could differ from these estimates.

o) Earnings (loss) per share

Earnings (loss) per common share is computed by dividing the earnings/(loss) for the period by the weighted average number of common shares outstanding during the period. Diluted net earnings/(loss) per share is computed using the treasury stock method which assumes that all dilutive options and warrants were exercised at the beginning of the period and the proceeds to be received were applied to repurchase common shares at the average market price for the period. Stock options and warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants and when the Company generates income from continuing operations. Earnings/(loss) per share reflects the potential dilution of securities that could result from the exercise of dilutive options and warrants. None of the outstanding options and warrants is included in the calculation of diluted loss per common share because their effect is anti-dilutive.

p) Comparative figures

Certain of the June 30, 2009 figures presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year; these reclassifications have no impact on the June 30, 2009 net loss, cash flows or closing shareholders' equity.

3. ADOPTION OF NEW ACCOUNTING STANDARDS AND RECENT ACCOUNTING PRONOUNCEMENTS

a) Adoption of new accounting standards

Effective July 1, 2009, the Company adopted the following accounting standard pronouncements issued by the Canadian Institute of Chartered Accountants (“CICA”):

Goodwill and Intangible Assets – CICA Section 3064

In February 2008, the CICA issued accounting standard Section 3064 Goodwill and Intangible Assets replacing accounting standard Section 3062, Goodwill and Other Intangible Assets, and accounting standard Section 3450, Research and Development Costs. The new Section is applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted these standards commencing for its interim and annual financial statements for the fiscal year ended June 30, 2010. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition for profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. There is no material impact on the Company’s financial statements as a result of the adoption of this new Section.

Financial Instruments – Disclosures – CICA Handbook Section 3862

In June 2009, the CICA amended the Handbook Section 3862, “Financial Instruments – Disclosures”. These amendments are applicable to the Company’s annual financial statements for the year ended on June 30, 2010. The amendments provide for additional disclosure requirements about fair value measurements of financial instruments and enhanced liquidity risk disclosure requirements for publicly accountable enterprises. The additional required disclosures are included in Note 4 of these financial statements.

b) Recent accounting pronouncements

Business Combinations - CICA Handbook Section 1582

In January 2009, the CICA issued Section 1582, “Business Combinations” to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards (“IFRS”). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The Company is currently evaluating the impact of this standard on its financial statements.

Consolidated Financial Statements and Non-Controlling Interests – CICA Handbook Sections 1601 and 1602

In January 2009, the CICA issued Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests” which replace Section 1600 “Consolidated Financial Statements.” Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 “Business Combinations.” The Company is currently evaluating the impact of this standard on its financial statements.

OPEN EC TECHNOLOGIES, INC.

Notes to the Consolidated Financial Statements

Years Ended June 30, 2010 and 2009

(Expressed in Canadian dollars)

3. ADOPTION OF NEW ACCOUNTING STANDARDS AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

b) Recent accounting pronouncements (continued)

International Financial Reporting Standards

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards (“IFRS”) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The standard also requires that comparative figures for 2010 be based on IFRS. The Company is currently in the planning stages to identify the impact of adopting IFRS on its financial statements and will continue to invest in training and necessary resources to complete the conversion. The Company continues to monitor and assess the impact on its financial statements of convergence of Canadian GAAP and IFRS.

Equity – CICA Handbook Section 3251

In August 2009, Section 3251 Equity was issued in response to issuing Section 1602 Non-controlling Interests. The amendments require non-controlling interests to be recognized as a separate component of equity. The amendments apply only to entities that have adopted Section 1602. The Company is currently assessing the impact of the new standard on its financial statements.

Comprehensive Revaluation of Assets and Liabilities – CICA Handbook Section 1625

In August 2009, Section 1625 Comprehensive Revaluation of Assets and Liabilities was issued for consistency with new Section 1582 Business Combinations. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of the new standard on its financial statements.

Multiple Deliverable Revenue Arrangements - EIC-175

In December 2009, the CICA issued EIC 175, “Multiple Deliverable Revenue Arrangements”. EIC 175, which replaces EIC 142, “Revenue Arrangements with Multiple Deliverables”, and which addresses some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. This new standard is effective for annual financial statements for periods commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Company is currently assessing the impact of the new standard on its financial statements.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Financial Instruments

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Transaction costs attributable to the acquisition or issue of financial assets or financial liabilities, other than those classified as held-for-trading, are added to the initial fair value amount to match the costs with the related transactions.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Financial Instruments (continued)

The Company has classified its cash and short-term investments as held-for-trading. Accounts receivable are classified as loans and receivables and are measured at amortized cost with a subsequent measurement reduction for an allowance for doubtful accounts. Accounts payable and amounts due to related parties are classified as other liabilities.

Fair Value Measurement

The Company's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and amounts due to related parties. The carrying amounts of these financial instruments are a reasonable estimate of their fair value because of their current nature, and the short-term investments are carried at fair values based on quoted market prices.

CICA Handbook Section 3862, *Financial Instruments – Disclosures* ("Section 3862") establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are not based on observable market data.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2010:

Assets at fair value as at June 30, 2010	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 364,037	–	–	\$ 364,037
Short-term investments	101,705	–	–	101,705
Total	\$ 465,742	–	–	\$ 465,742

Financial Risk

a) Credit Risk

The Company maintains substantially all of its cash with major financial institutions. Deposits held with these institutions do not exceed the amount of insurance provided on such deposits. Financial instruments that potentially subject the Company to concentrations of credit risk are accounts receivable. The Company performs on-going credit evaluations of its customers' financial condition. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

As at June 30, 2010, the Company's allowance for doubtful accounts was \$9,688 [2009 : \$12,745]. The Company recognizes allowance for doubtful accounts based on management's estimates, and amounts are written off when determined to be uncollectible. Bad debt expense during the year ended June 30, 2010 amounted to \$11,834 (2009 : \$5,100).

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Financial Risk (continued)

a) Credit Risk (continued)

The following table provides information regarding the ageing of financial assets that are past due but which are not impaired as at June 30, 2010.

	Neither past due Nor impaired	31- 60 days	61-90 days	91+ days	Carrying Value
Trade accounts receivable	\$54,782	\$7,255	\$2,754	\$23,571	\$88,362

b) Liquidity Risk

Liquidity risk is the risk the Company will not be able to meet the obligations associated with its financial liabilities. As at June 30, 2010, the Company had cash of \$364,037 [2009: \$743,450] and working capital of \$306,019 [2009: \$601,855]. Accounts payable and accrued liabilities are due within the current fiscal year. The Company manages liquidity risk by maintaining an adequate cash balance. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

c) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has cash, trade accounts receivable, and accounts payable denominated in US dollars. The Company's remaining Headware subsidiary in China transacted in Chinese RMB, but these transactions and balances were nominal. At June 30, 2010, the Company did not have any significant assets or liabilities denominated in Chinese RMB.

The foreign exchange risk arises primarily as a result of the Company having US dollar denominated trade accounts receivable, accounts payable and cash balances. The financial position of the Company may vary at the time that a change in foreign exchange rate occurs, causing the impact on the Company's results to differ from that shown above. At June 30, 2010, if the US dollar had weakened 10 percent against Canadian dollar with all other variables held constant, the net loss for the year would have been \$10,432 higher. Conversely, if the US dollar had strengthened 10 percent against Canadian dollar with all other variables held constant, the net loss would have been \$10,432 lower.

OPEN EC TECHNOLOGIES, INC.

Notes to the Consolidated Financial Statements

Years Ended June 30, 2010 and 2009

*(Expressed in Canadian dollars)***5. DISPOSITION OF CHINESE OPERATIONS**

In the second quarter of fiscal 2009, the Company determined that the operations of its Chinese subsidiaries were not aligned with the Company's current business strategy and, consequently, effective January 1, 2009, the Company sold its business operations in Headware and its 60% ownership interest in Jinhuae (collectively "Chinese Operations") to Mr. Zhongdong Zhou ("Mr. Zhou"), a director of the Company. Mr. Zhou paid cash of \$850,000 to the Company, and returned 11,400,000 of the Company's common shares (the "Shares") that were issued to Happy Clear Investments Ltd. ("Happy Clear") and Right Strong Investments Ltd ("Right Strong") pursuant to the Share Purchase Agreement dated June 22, 2007 between Right Strong, Happy Clear, First Fortune Capital Limited, Mr. Zhou, Fine High Group Ltd and the Company. The Shares had a fair value of \$342,000. Pursuant to the original acquisition agreement, 5,130,000 Shares remaining in escrow were returned to the Company.

The cash consideration of \$850,000 was paid in two tranches comprising of \$500,000 upon closing and \$350,000 to be held in escrow by a company controlled by a director, \$200,000 of which was released on June 30, 2009 and \$150,000 of which was released on September 25, 2009.

Mr. Zhou and Happy Clear are non-arms length to the Company. Upon the return and cancellation of the 11,400,000 Shares, Mr. Zhou no longer controlled any shares of the Company. The Company continues to hold its ownership interest in Headware, which is inactive.

The loss on disposal of \$1,952,812 was attributable to the sale of the Company's Chinese operations and was computed as follows:

Cash proceeds from sale of Chinese operations	\$	850,000
Fair value of shares redeemed		342,000
<hr/>		
Total consideration received		1,192,000
<hr/>		
Net assets disposed		(3,430,995)
Realization of accumulated comprehensive income on disposal		286,183
<hr/>		
		3,144,812
<hr/>		
Loss on disposal of Chinese operations	\$	(1,952,812)

Net assets disposed comprised of:

Cash	\$	952,181
Accounts receivable		4,899,467
Prepaid expenses		41,414
Property and equipment		394,952
Intangible assets		1,118,486
Goodwill		800,386
Accounts payable and due to related parties		(1,719,394)
Dividends payable		(894,528)
Income taxes payable		(299,888)
Future income tax liabilities		(676,452)
Non-controlling interest		(1,185,629)
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	\$	3,430,995

The loss was primarily a result of the 11,400,000 shares having been originally issued at a value of \$0.15 per share and subsequently redeemed at a value of \$0.03 per share at the time they were returned to the Company.

5. DISPOSITION OF CHINESE OPERATIONS (continued)

The results of operations and cash flow from discontinued operations are presented as follows:

	2009
Revenue	\$ 4,035,817
Cost of revenues	(1,923,414)
Operating expenses	(1,556,738)
Other income	2,396
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Net income before taxes and non-controlling interest	558,061
Income taxes	(100,450)
<hr/>	
Net income before non-controlling interest	457,611
Non-controlling interest	(273,069)
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Net income	184,542
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Loss on disposal of Chinese operations	(1,952,812)
<hr/>	
	\$ (1,768,270)
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Cash flow provided by operating activities	\$ 772,109
Cash flow used in investing activities	(119,105)
Effect of exchange rates on cash	120,465
<hr/>	
	\$ 773,469
<hr/>	
Supplemental cash flow information:	
Interest paid	\$ —
Income taxes paid	\$ —
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6. EQUIPMENT

2010	Cost	Accumulated Amortization	Net Book Value
Alarm system and equipment	\$ 22,919	\$ 20,320	\$ 2,599
Computer and testing equipment	21,832	13,787	8,045
Computer software	181,064	180,811	253
Office furniture	52,557	48,703	3,854
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	\$278,372	\$263,621	\$ 14,751
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6. EQUIPMENT (continued)

2009	Cost	Accumulated Amortization	Net Book Value
Alarm system and equipment	\$ 22,919	\$ 19,671	\$ 3,248
Computer and testing equipment	20,163	10,518	9,645
Computer software	180,052	180,052	—
Office furniture	52,557	47,739	4,818
	<u>\$275,691</u>	<u>\$257,980</u>	<u>\$ 17,711</u>

7. INTANGIBLE ASSETS

Intangible assets include certain intellectual property, including OpenBPM software source code and licences, acquired from Mala Ventures Inc.

2010	Cost	Accumulated Amortization	Net Book Value
Intellectual property comprised of OpenBPM software	\$619,986	\$265,708	\$354,278

2009	Cost	Accumulated Amortization	Net Book Value
Intellectual property comprised of OpenBPM software	\$605,405	\$172,973	\$432,432

OPEN EC TECHNOLOGIES, INC.

Notes to the Consolidated Financial Statements

Years Ended June 30, 2010 and 2009

*(Expressed in Canadian dollars)***8. COMMON STOCK****a) Authorized**

Unlimited number of common voting shares without par value.

b) Issued and Outstanding

	Number of Shares	Amount	Contributed Surplus
Balance, June 30, 2008	54,400,402	\$22,727,970	\$ 999,470
Shares issued for purchase of OpenBPM software [note 8b(iii)]	2,000,000	330,000	184,790
Exercise of options for cash [note 8b(v)]	60,833	9,125	–
Transfer of contributed surplus on exercise of options	–	7,379	(7,379)
Stock-based compensation [note 8c]	–	–	2,872
Reversal of shares to be issued obligation [note 8b(vi)]	–	–	14,500
Shares returned on disposal of Chinese operations [note 5]	(11,400,000)	(4,658,931)	4,316,931
Unearned shares returned on cancellation of SESB [note 8b(vii)]	(77,420)	(990,957)	–
Balance, June 30, 2009	44,983,815	17,424,586	5,511,184
Exercise of options for cash [note 8b(i)]	340,000	34,000	–
Transfer of contributed surplus on exercise of options	–	6,800	(6,800)
Stock-based compensation [note 8c]	–	–	224,957
Shares issued pursuant to private placement for cash [note 8b(ii)]	3,000,000	240,000	–
Share issuance costs [note 8b(ii)]	–	(1,950)	–
Balance, June 30, 2010	48,323,815	\$17,703,436	\$5,729,341

2010

- (i) On February 26, 2010, the Company issued 340,000 common shares pursuant to the exercise of options at \$0.10 per share for total proceeds of \$34,000.
- (ii) On March 5, 2010, the Company closed a non-brokered private placement of 3,000,000 common shares at a price of \$0.08 per common share to raise gross proceeds of \$240,000. The shares were subject to a 4 month hold period from date issued. Finder's fee of \$1,950 was paid in connection with the private placement. The private placement proceeds were used for general working capital.

2009

- (iii) On October 15, 2008, the Company issued the 2,000,000 units for certain intellectual property. Each unit consisting of one common share and one share purchase warrant exercisable at \$0.205 for a period of two years.
- (iv) During 2009, the Company received 11,400,000 shares which were returned to treasury and cancelled as described in note 5.
- (v) During 2009, the Company issued 60,833 common shares pursuant to the exercise of options at \$0.15 per share for a total proceeds of \$9,125.

8. COMMON STOCK (continued)

b) Issued and Outstanding (continued)

2009 (continued)

- (vi) During 2009, the Company reversed an obligation incurred in 2002 and 2003 to issue 10,000 shares to certain terminated employees as part of their severance package as the liability had been outstanding for greater than six years, with no contact from the employees. As a result, the Company recognized the fair value of the common shares as contributed surplus.
- (vii) During 2009, the Company terminated their Software Employee Stock Bonus Plan and cancelled a total of 77,420 unearned shares which had been initially valued at \$990,957 at the time these shares were originally allocated. This amount was recorded as reduction to share capital.
- (viii) Based on a share escrow agreement dated September 28, 2007 relating to the original acquisition of the Chinese operations, the following shares were held in escrow and have been released.

Balance as at June 30, 2008	15,038,755
Released on July 26, 2008	(3,007,751)
Released on January 26, 2009	(3,007,751)
Returned on April 23, 2009 on sale of Chinese operations [note 5]	(5,130,000)
Balance as at June 30, 2009	3,893,253
Released on July 26, 2009	(1,297,751)
Released on January 26, 2010	(1,297,751)
Balance as at June 30, 2010	1,297,751

Subsequent to June 30, 2010, the remaining 1,297,751 shares were released from escrow.

8. COMMON STOCK (continued)

c) Stock Options

The Company has a stock option plan which provides for the granting of up to 10% of total issued and outstanding common shares of the Company to directors, officers, employees, advisors, and consultants to acquire common shares. The plan allows for vesting provisions to be set at the time of the grant. The options currently outstanding vest or will vest at various times over the next two fiscal years. At June 30, 2010, the outstanding stock options are limited to 4,832,381.

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2008	3,254,167	\$0.18
Exercised	(60,833)	0.15
Expired	(337,500)	0.17
Cancelled	(2,380,834)	0.17
Balance, June 30, 2009	475,000	0.19
Granted	3,385,000	0.10
Exercised	(340,000)	0.10
Expired	(475,000)	0.20
Forfeited	(20,000)	0.20
Balance, June 30, 2010	3,025,000	\$0.10

As at June 30, 2010, the following stock options were outstanding:

Exercise price \$	Weighted Average Remaining Contractual Life (years)	Number of options outstanding	Number of options exercisable
0.10	4.64	2,875,000	2,512,500
0.15	1.33	150,000	-
	4.47	3,025,000	2,512,500

Stock options outstanding as at June 30, 2010 expire between October 28, 2011 and February 16, 2015.

During the year ended June 30, 2010, stock-based compensation expense recognized by the Company amounted to \$224,958 [2009: \$2,872]. Stock-based compensation was calculated by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2010	2009
Weighted average risk-free interest rate	2.26%	-
Expected life	4.42 years	-
Weighted average expected volatility	136%	-
Expected dividends	-	-

The weighted average grant date fair value of options granted for the year ended June 30, 2010 was \$0.08 [2009: \$nil].

8. COMMON STOCK (continued)

d) Share Purchase Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2008	4,694,167	\$ 0.20
Expired	(3,527,500)	0.20
Issued for purchase of OpenBPM software	2,000,000	0.21
Outstanding and exercisable, June 30, 2009	3,166,667	0.20
Expired	(1,166,667)	0.17
Outstanding and exercisable, June 30, 2010	2,000,000	\$ 0.21

The 2,000,000 outstanding warrants expire on October 15, 2010.

e) Brokers' Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2008	125,250	\$ 0.20
Expired	(125,250)	0.20
Balance, June 30, 2009 and June 30, 2010	–	\$ –

9. CAPITAL DISCLOSURE

The Company's objectives for the management of capital are to safeguard the Company's ability to continue as a going concern including the preservation of capital and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital. The capital structure of the Company consists of all the components of shareholders' equity as well as cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents. The Company's policy is to maintain sufficient cash to cover operating costs over a reasonable future period. In order to facilitate the management of its capital requirements, the Company monitors capital on the basis of the requirements to finance its operations.

There are no external restrictions on management of capital.

OPEN EC TECHNOLOGIES, INC.

Notes to the Consolidated Financial Statements

Years Ended June 30, 2010 and 2009

*(Expressed in Canadian dollars)***10. INCOME TAXES**

The income tax expense or recovery differs from the amount computed by applying Canadian statutory rates to income before income taxes as follows:

	2010	2009
Current statutory income tax rate	28.5%	30.0%
Income tax recovery at current statutory rates	\$ (249,078)	\$ (56,006)
Effects of non-deductible amounts and other differences	356,795	958,194
Change in tax rates	272,032	88,257
Change in valuation allowance	(379,749)	(990,445)
	\$ -	\$ -

Realization of future income tax assets is dependant on generating sufficient taxable income during the period in which the temporary differences are deductible. Realization is not assured and management believes it is more likely than not that all future income tax assets will not be realized based on reversals of future income tax liabilities, projected operating results and tax planning strategies available to the Company and its subsidiaries.

The Company has approximately \$3,887,000 [2009 - \$4,013,000] of Canadian non-capital losses available for income tax purposes to reduce taxable income of future years that expire as follows:

2014	\$ 688,000
2015	686,000
2016	318,000
2027	492,000
2028	577,000
2029	493,000
2030	633,000
	<u>\$ 3,887,000</u>

The Company also has net operating losses carried forward of approximately \$1,910,000 [2009 - \$2,155,000], which can be applied to reduce income earned in the United States, which expire as follows:

2019	\$ 280,000
2020	466,000
2021	1,031,000
2022	117,000
2023	16,000
	<u>\$1,910,000</u>

The ability of the Company to use the US losses that expire prior to 2023 may be impacted by the application of provisions contained in the United States Internal Revenue Code.

OPEN EC TECHNOLOGIES, INC.

Notes to the Consolidated Financial Statements

Years Ended June 30, 2010 and 2009

*(Expressed in Canadian dollars)***10. INCOME TAXES (continued)**

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's future income tax assets which have not been recognized as of June 30, 2010 and 2009 are as follows:

	2010	2009
Non-capital loss carry-forwards	\$ 1,449,109	\$ 1,804,197
Unused capital cost allowance in excess of net book value	123,319	140,300
Undeducted share issuance costs	11,079	18,759
Total future income tax assets	1,583,507	1,963,256
Valuation allowance	(1,583,507)	(1,963,256)
Net future income tax assets	\$ -	\$ -

The Company has not provided for foreign withholding taxes or future income tax liabilities for temporary differences related to the undistributed earnings of foreign subsidiaries since the Company does not currently expect to repatriate earnings that would create any material tax consequences. It is not practical to reasonably estimate the amount of additional future income tax liabilities or foreign withholding taxes that may be payable should these earnings be distributed in the future.

Prior to the disposal of the Chinese operations, the Company conducted a substantial amount of its business in China. China currently has tax laws related to various taxes imposed by both federal and regional governments. Applicable taxes include value added tax, corporate income tax, payroll or social taxes and others. Laws related to these taxes have not been effective for very long compared to laws of more developed countries. The implementation of regulations is frequently unclear and their application is sometimes inconsistent or non-existent. Conflicting opinions about interpretation and application often exist among and within government ministries and organizations creating uncertainties and conflict.

Tax declarations, together with other legal compliance areas, such as customs and currency controls are subject to review and investigation by various agencies and authorities, who are enabled by law to impose very severe fines, penalties and interest charges. These facts create tax risks in China substantially more significant than typically found in countries with more developed tax systems and structures.

Various tax authorities could take differing positions on interpretive issues and the effect could be significant. The fact that a year has been reviewed does not close that year, or any tax declaration applicable to that year, from future review and assessment by tax authorities.

On March 16, 2007, China introduced the new Enterprise Income Tax Law of the People's Republic of China which came into force on January 1, 2008. Among other measures, the new Tax Law introduces a 25% tax rate for Foreign Invested Enterprises, and domestic enterprises, with some reduced rates for qualified small companies. Although certain existing preferential tax policies, including those previously applicable to Foreign Invested Entities will be eliminated going forward, most existing preferential tax incentives previously granted will continue to be grandfathered for up to five years.

The new Tax Law may also impose a new 10% withholding tax on all dividends paid by China companies to non-China shareholders.

11. COMMITMENTS

On July 22, 2004, the Company entered into a seven year premise lease that expires on November 1, 2011. The Company also has one equipment lease which expires on June 30, 2014. As at June 30, 2010, the approximate future minimum lease commitments for the next five fiscal years are as follows:

2011	\$ 29,970
2012	10,452
2013	693
2014	693
2015	-
	<hr/>
	\$ 41,808

12. RELATED PARTY TRANSACTIONS

The following related party transactions have been incurred in the normal course of operations and are measured at the exchange amounts, which are the amount of consideration agreed upon by the Company and the related parties:

- a) During the year ended June 30, 2010, directors, officers and companies controlled by officers and directors of the Company provided accounting and paralegal services, and directors' services to the Company valued at \$119,250 [2009 : \$135,250]. These charges are included in general and administrative expenses.
- b) During the year ended June 30, 2010, the Company recorded rent recoveries of \$84,446 [2009: \$75,091] from two companies controlled by two directors of the Company. These rent recoveries are netted against general and administrative expenses.
- c) As at June 30, 2010, a total of \$4,200 [2009: \$18,000] is due to officers, directors and companies controlled by officers and directors.
- d) As at June 30, 2009, \$150,000 was held in escrow pursuant to the sale of the Company's Chinese operations to a former director.

OPEN EC TECHNOLOGIES, INC.

Notes to the Consolidated Financial Statements

Years Ended June 30, 2010 and 2009

(Expressed in Canadian dollars)

13. SEGMENTED INFORMATION

The Company operated in two business segments: e-business in Canada and mobile commerce in China. Upon the sale of the Chinese operations, only one continuing business segment comprised of the Company's Canadian operations remains.

a) Geographic segments

	E-Business	Discontinued Operations	2010 Total
Revenue	\$ 737,183	\$ –	\$ 737,183
Interest Revenue	3,074	–	3,074
Amortization of intangible assets	92,736	–	92,736
Amortization of property and equipment	5,642	–	5,642
Income Taxes Expense	–	–	–
Segment Net Profit (Loss)	(873,957)	–	(873,957)
Capital Expenditures and Goodwill	17,263	–	17,263
Property and Equipment	14,751	–	14,751
Total Assets	939,298	–	939,298

	E-Business	Discontinued Operations	2009 Total
Revenue	\$ 979,005	\$4,035,817	\$5,014,822
Interest Revenue	189	2,396	2,585
Amortization of intangible assets	87,092	178,372	265,464
Amortization of property and equipment	5,862	76,301	82,163
Income Taxes Expense (Recovery)	–	100,450	100,450
Segment Net Profit (Loss)	(186,688)	(1,768,270)	(1,954,958)
Capital Expenditures and Goodwill	7,484	119,105	126,589
Property and Equipment	17,711	–	17,711
Total Assets	1,444,719	–	1,444,719

Substantially all of the Company's E-Business operations, assets and employees are located in Canada. The following represents sales based on the location of the customer:

	Year Ended June 30, 2010	Year Ended June 30, 2009
Canada	53%	67%
US	47%	33%

b) Major customer

During the year ended June 30, 2010, revenues from software development services from one major customer amounted to 23% [2009: 38%] of total revenues.

14. SUBSEQUENT EVENT

On July 26, 2010, the remaining 1,297,751 shares held in escrow were released pursuant to the share escrow agreement described in note 8b(viii).